

**TOWNSHIP OF BUTMAN
GLADWIN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Township Officials

Supervisor

Shirley Kyle

Clerk

Don Joyce

Treasurer

Susie Ruppert

Trustee

Linda Haight

Trustee

John Wolski

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INDEPENDENT AUDITOR'S REPORT

February 2, 2009

To the Township Board
Butman Township
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Butman, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Butman as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-6 and budgetary comparison information on pages 28-33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin, Cook, Miller & Reppuhn LLP

KESKINE, COOK, MILLER & REPPUHN, LLP



Butman Township

5005 N. Hockaday Road
Gladwin, Michigan 48624

Township Board Meetings
Held Monthly on the
Second Thursday, 7:00 p.m.

Telephone: 989-426-4351 • Clerk's Office: Extension 25 • Treasurer's Office: Extension 26 • Sewer Billing: Extension 27
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TOWNSHIP OF BUTMAN MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2008

This section of Butman Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Governmental Activities:

Our financial status improved over the last year. Assets at June 30, 2008 totaled approximately \$1,211,000. Of this total, approximately \$622,000 represents capital assets net of depreciation.

Revenues derived from governmental activities totaled approximately \$957,000 (approximately \$35,000 from program revenues and \$922,000 from general revenues). The Township's major source of governmental revenues is derived from property taxes and state shared revenues (approximately \$704,000 and \$133,000 respectively for the year ended June 30, 2008). Total revenues decreased approximately \$15,000 or 1.5% from the year ended June 30, 2007. Overall expenses for the Township's governmental activities approximated \$847,000 which is an decrease of approximately \$80,000 over the year ended June 30, 2007.

The Township retired two installment purchase obligations totaling approximately \$101,000 during the year ended June 30, 2008. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

Business-type Activities:

The Township's single business-type activity is a wastewater sewer fund.

Total assets as of June 30, 2008 were approximately \$1,213,000, of which approximately \$956,000 represents capital assets. Total assets decreased by approximately \$359,000 over the prior year. The decrease is attributable to a significant decrease in cash and an increase in accumulated depreciation.

Total liabilities as of June 30, 2008 were approximately \$16,000. Total liabilities decreased by approximately \$59,000 from the prior year. This decrease is attributable to decrease of \$59,000 in accounts payable due to vendors being paid close to year-end in 2008 and not in 2007.

Revenue totaled approximately \$518,000 for the year ended June 30, 2008 which represents a decrease of approximately \$38,000 or 7%. The decrease is primarily attributable to a decline in capacity permit fees due to a decline in residential development in the Township.

Expenses totaled approximately \$666,000 for the year ended June 30, 2008 which represents an increase of approximately \$115,000 or 20% over the prior year.

The following table shows in condensed format, the net assets of both the governmental-type and business-type activities of the Township as of June 30, 2008.

	Governmental Activities		Business-type Activities	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Assets				
Current assets	\$ 589,000	\$ 582,000	\$ 257,000	\$ 273,000
Noncurrent assets	622,000	894,000	956,000	1,117,000
Total assets	<u>1,211,000</u>	<u>1,476,000</u>	<u>1,213,000</u>	<u>1,390,000</u>
Liabilities				
Current liabilities	68,000	80,000	16,000	75,000
Noncurrent liabilities	297,000	447,000	-	-
Total liabilities	<u>365,000</u>	<u>527,000</u>	<u>16,000</u>	<u>75,000</u>
Net Assets				
Invested in capital assets - net of related debt	274,000	447,000	956,000	1,117,000
Restricted	385,000	399,000	-	-
Unrestricted	187,000	103,000	241,000	198,000
Total net assets	<u>\$ 846,000</u>	<u>\$ 949,000</u>	<u>\$ 1,197,000</u>	<u>\$ 1,315,000</u>

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Township, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General, Fire, Garbage, Roads, and Boat Launch Funds. Sewer utility activities are treated as business-type activities where the revenues of the activity are designed to pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on individual funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

Enterprise Funds: These funds represent activities in the government which are treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the Township's government-wide statements and fund statements presentation.

Fiduciary Fund: The Township is a trustee or fiduciary for assets that belong to others. The Township maintains this fund and is responsible for insuring that the assets of this activity are collected and disbursed to the respective entities to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund – This fund is used to record all activities of the Township not required to be recorded in a separate fund. The major source of revenue for the general fund is from the Township tax base, and revenue sharing from the State of Michigan. Expenditures consist of the general operating activities of the Township. For the year ended June 30, 2008, revenues exceeded expenditures by approximately \$20,000 and fund balance totaled approximately \$188,000 as of June 30, 2008.

Fire Fund – This fund is used to account for the financial activities of the fire department. Revenues are derived primarily from property taxes collected for fire protection services. Expenditures consist of costs associated with maintaining a fire department and paying down debt. For the year ended June 30, 2008, expenditures exceeded revenue by approximately \$38,000 and fund balance totaled approximately \$53,000 as of June 30, 2008.

Garbage Fund – This fund is used to account for all financial transactions related to the Garbage Collection service provided by the Township. Revenues are derived from property tax assessments and expenditures largely consist of third-party waste hauling. For the year ended June 30, 2008, expenditures exceeded revenues by approximately \$18,000 and fund balanced totaled approximately \$89,000 as of June 30, 2008.

Roads Fund – This fund is used to account for financial transactions related to the repair and maintenance of the Township's roads. Revenues consist mainly of special assessment property taxes and contributions from the general fund. For the year ended June 30, 2008, revenues exceeded expenditures by approximately \$39,000 and the fund balanced totaled approximately \$234,000.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

The Township purchased approximately \$47,000 of capital assets during the year ended June 30, 2008 in the Governmental funds. These purchases included Fire Hall doors, various Fire Fund equipment, and vehicle refurbishment.

The Township's Sewer Fund purchased approximately \$70,000 of new equipment.

Long Term Debt:

- ◆ Fire Fund Notes – the Township retired 143,638 in principal payments on four notes for fire vehicle, equipment, and building. One of the four notes was retired early during the year ended June 30, 2008. As of year-end, the balance on the three remaining notes totals \$348,000.
- ◆ The Township paid-off a Hall addition loan for \$36,681 during the year ended June 30, 2008.
- ◆ Total interest expense on the above notes amounted to approximately \$15,000 during the year ended June 30, 2008.

The Township retired two notes early by paying them off. The early retirement of these loans will save the Township on interest expenses in the future.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

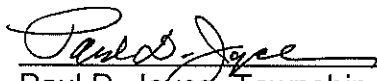
Subsequent to year-end, the Township approved the purchase of a new fire truck for the Fire Fund. The truck is not expected to be completed until the year ended June 30, 2010.

The Township has submitted a grant application to the State of Michigan to repair various sewer lines. The grant funds would come from the Federal Government's stimulus package. The probability of receiving the grant and the dollar amount are unknown at this time.

The year ended June 30, 2008 was the final year of the seven (7) year special assessment for improving township roads. Future road improvements will be financed by the General Fund Account number 101.441.

CONTRACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors, and customer with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Don Joyce, Clerk, at 5005 N. Hockaday Rd, Gladwin, Mi 48624, or by calling (989) 426-4351.


Paul D. Joyce, Township Clerk

**TOWNSHIP OF BUTMAN
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash	\$ 584,577	\$ 211,569	\$ 796,146
Receivables	4,136	45,589	49,725
Capital assets not being depreciated	223,898	229,428	453,326
Capital assets being depreciated	398,149	726,789	1,124,938
	<hr/>	<hr/>	<hr/>
Total assets	1,210,760	1,213,375	2,424,135
Liabilities			
Accounts payable	16,603	5,157	21,760
Accrued liabilities	-	10,580	10,580
Long-term debt			
Due in less than one year	51,000	-	51,000
Due in more than one year	297,000	-	297,000
	<hr/>	<hr/>	<hr/>
Total liabilities	364,603	15,737	380,340
Net Assets			
Invested in capital assets, net of related debt	274,047	956,217	1,230,264
Restricted for:			
Fire protection	52,547	-	52,547
Garbage	89,129	-	89,129
Roads	233,799	-	233,799
Boat launch	9,130	-	9,130
Sewer	-	241,421	241,421
Unrestricted	187,505	-	187,505
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 846,157	\$ 1,197,638	\$ 2,043,795
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions / Programs	P r o g r a m R e v e n u e s				Net Revenue / (Expense) and Changes in Net Assets	
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business- Type Activities Total
Primary Government:						
Governmental Activities						
General government	\$ 227,624	\$ 21,758	\$ -	\$ -	\$ (205,866)	\$ -
Public safety	165,543	-	5,489	-	(160,054)	-
Public works	434,845	-	-	-	(434,845)	-
Recreation and culture	4,213	7,288	-	-	3,075	-
Interest on long-term debt	14,765	-	-	-	(14,765)	-
Total governmental activities	846,990	29,046	5,489	-	(812,455)	-
Business-type Activities						
Sewer utility services	666,351	512,043	-	-	-	(154,308)
Total Government	\$ 1,513,341	\$ 541,089	\$ 5,489	\$ -	(812,455)	57,947
General revenues						
Property taxes and assessments					704,586	-
State shared revenue (not restricted to specific purpose)					133,127	-
Property tax administration fee					46,237	-
Interest					20,567	5,837
Other					17,606	-
Total general revenues					922,123	5,837
Change in net assets					109,668	63,784
Net Assets - Beginning of Year					736,489	1,133,854
Net Assets - End of Year					\$ 846,157	\$ 1,197,638

See accompanying notes to financial statements.

TOWNSHIP OF BUTMAN
STATEMENT ASSETS, LIABILITIES, AND FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2008

	M a j o r F u n d s				Non-major Fund	
	General	Fire	Garbage	Roads	Boat Launch	Total
Assets						
Cash	\$ 197,441	\$ 54,759	\$ 89,414	\$ 233,799	\$ 9,164	\$ 584,577
Receivables	4,136	-	-	-	-	4,136
Total assets	<u>201,577</u>	<u>54,759</u>	<u>89,414</u>	<u>233,799</u>	<u>9,164</u>	<u>588,713</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	14,072	2,212	285	-	34	16,603
Fund Balance:						
Reserved for:						
Fire protection	-	52,547	-	-	-	52,547
Garbage services	-	-	89,129	-	-	89,129
Roads	-	-	-	233,799	-	233,799
Boat launch	-	-	-	-	9,130	9,130
Fund balance - undesignated and unreserved	187,505	-	-	-	-	187,505
Total fund balance	<u>187,505</u>	<u>52,547</u>	<u>89,129</u>	<u>233,799</u>	<u>9,130</u>	<u>572,110</u>
Total liabilities and fund balance	<u>\$ 201,577</u>	<u>\$ 54,759</u>	<u>\$ 89,414</u>	<u>\$ 233,799</u>	<u>\$ 9,164</u>	<u>\$ 588,713</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balance - Governmental Activities (per Balance Sheet - Page 9)	\$ 572,110
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore not recorded in the funds	622,047
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Long-term liabilities, including notes payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds	(348,000)
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Total Net Assets - Governmental Activities (per Statement of Net Assets - Page 7)	\$ 846,157
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See accompanying notes to financial statements.

TOWNSHIP OF BUTMAN
STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	<u>M a j o r F u n d s</u>				<u>Non-major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Fire</u>	<u>Garbage</u>	<u>Roads</u>	<u>Boat Launch</u>	
Revenue						
Taxes and assessments	\$ 173,475	\$ 188,230	\$ 167,620	\$ 221,952	\$ -	\$ 751,277
State-shared revenue	137,886	-	-	-	-	137,886
Charges for services	11,510	-	-	-	7,288	18,798
Interest	8,667	3,368	3,593	4,939	-	20,567
Other revenue	13,869	9,089	-	-	231	23,189
Total revenues	345,407	200,687	171,213	226,891	7,519	951,717
Expenditures						
Current:						
General government	181,498	-	-	-	-	181,498
Public safety	9,848	100,795	-	-	-	110,643
Public works	20,712	-	188,931	227,702	-	437,345
Recreation and culture	-	-	-	-	4,713	4,713
Capital outlay	15,631	31,112	-	-	-	46,743
Debt service:						
Principal	36,681	113,638	-	-	-	150,319
Interest	1,324	13,441	-	-	-	14,765
Total expenditures	265,694	258,986	188,931	227,702	4,713	946,026
Excess (deficiency) of revenues over (under) expenditures	79,713	(58,299)	(17,718)	(811)	2,806	5,691
Other Financing Sources (Uses)						
Operating transfers out	(60,000)	-	-	-	-	(60,000)
Operating transfers in	-	20,000	-	40,000	-	60,000
Total other financing sources (uses)	(60,000)	20,000	-	40,000	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	19,713	(38,299)	(17,718)	39,189	2,806	5,691
Fund Balance - Beginning of Year	167,792	90,846	106,847	194,610	6,324	566,419
Fund Balance - End of Year	\$ 187,505	\$ 52,547	\$ 89,129	\$ 233,799	\$ 9,130	\$ 572,110

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balance - Total Governmental Funds (per Statement of Revenues, Expenditures, and Changes in Fund Balance - Page 11)	\$ 5,691
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives	46,743
Depreciation expense, recorded in the Statement of Activities but not in the funds	(102,225)
Governmental funds do not report long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide statements, long-term debt is recorded and debt service payments are applied against the outstanding balances	150,319
Contributed capital assets are recorded as revenue in the government-wide financial statements and not recorded in the fund financial statements.	9,140
Change in Net Assets - Governmental Activities (Per Statement of Activities - Page 8)	\$ 109,668

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008**

Assets	<u>Sewer Fund</u>
Current Assets:	
Cash	\$ 211,569
Accounts receivable	45,589
	<hr/>
Total current assets	257,158
Non-Current Assets:	
Capital assets, net of accumulated depreciaton of \$7,145,869	956,217
	<hr/>
Total assets	1,213,375
Liabilities	
Current Liabilities:	
Accounts payable	5,157
Accrued liabilities	10,580
	<hr/>
Total current liabilities	15,737
Net Assets	
Invested in capital assets	956,217
Unrestricted	241,421
	<hr/>
Total net assets	<hr/> \$ 1,197,638 <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
STATEMENT OF CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008**

	<u>Sewer Fund</u>
Operating revenues	
Service charges	\$ 508,888
Miscellaneous	3,155
	<hr/>
Total operating revenue	512,043
Operating expenses	
Wages and benefits	12,860
Contractual services	458,796
Insurance	14,502
Utilities	8,994
Administration fee	8,257
Postage, printing and publishing	2,187
Equipment, supplies, and maintenance	84,873
Depreciation	73,280
Miscellaneous	2,602
	<hr/>
Total operating expenses	666,351
	<hr/>
Operating income	(154,308)
Nonoperating revenue	
Interest Income	5,837
	<hr/>
Change in net assets	(148,471)
Net Assets - Beginning of Year	1,346,109
	<hr/>
Net Assets - End of Year	<u><u>\$ 1,197,638</u></u>

See accompanying notes to financial statements

**TOWNSHIP OF BUTMAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008**

	<u>Sewer Fund</u>
<u>Cash flows from operating activities:</u>	
Cash received from customers	\$ 512,043
Cash payments to suppliers for goods and services	(656,847)
Cash payments to employees for services	(12,860)
	<hr/>
Net cash provided by operating activities	(157,664)
<u>Cash flows from capital and related financing activities:</u>	
Purchase of capital assets	(70,062)
<u>Cash flows from investing activities:</u>	
Interest earnings	5,838
	<hr/>
Net increase in cash and cash equivalents	(221,888)
Cash and cash equivalents - Beginning of year	433,457
	<hr/>
Cash and cash equivalents - End of year	<u><u>\$ 211,569</u></u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ (148,471)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	73,280
Increase in accounts receivables	(23,594)
Decrease in accounts payable and accrued liabilities	(58,879)
	<hr/>
Net cash provided by operating activities	<u><u>\$ (157,664)</u></u>

See accompanying notes to financial statements

**TOWNSHIP OF BUTMAN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2008**

	Assets	
Cash		\$ 4,150
		<hr/>
	Liabilities	
Undisbursed funds		\$ 4,150
		<hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 1: Entity

Butman Township, Gladwin County, Michigan, was organized prior to 1900 and covers an area of approximately 36 square miles. The Township operates under an elected five-member Board of Trustees and also provides service to its residents in areas including public safety, highways and streets, sanitation, fire protection, and human services.

The Township, for financial reporting purposes, management has considered all potential component units. The decision to conclude a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

Note 2: Summary of Significant Accounting Policies

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of Butman Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities for the year.

The accounting policies of Butman Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not classified as program revenues are reported as general revenues.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

Fund Types and Major Funds

Governmental Funds

The Township reports the following major governmental funds:

General Fund – This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state grants, interest, and other intergovernmental revenues.

Fire Fund – This fund is used to account for the financial activities of the fire department. Revenues are derived primarily from property taxes collected for fire protection services.

Garbage Fund – This fund is used to account for all financial transactions related to the Trash Collection service provided by the Township. Revenues are derived from property tax assessments.

Roads Fund – This fund is used to account for all financial transactions related to the special assessment collections and general fund contributions used for road improvements within the Township.

Proprietary Fund

The Township reports the following major proprietary fund:

Sewer Fund – This fund is used to account for all financial transactions related to the Township's sewer system.

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Fund Types and Major Funds (Continued)

Fiduciary Fund

Fiduciary funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township maintains a tax collection fund in this category.

Measurement Focus and Basis of Accounting

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements (Continued)

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Property Taxes

The Township bills and collects its own taxes and taxes for the County of Gladwin, Gladwin Public Schools, the Gladwin-Clare Intermediate School District and Mid-Michigan Community College. Property taxes are levied on December 1 and are payable through February 14. Amounts collected after the due date are assessed interest and/or penalty. Delinquent real property tax rolls are turned over to the County in mid-March. A county revolving fund normally pays the balance of the Township's real property tax levy by June 30. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2007, are recorded as revenue in the current year. The entire Township real property tax levied on December 1, 2007 is recognized as revenue for the year ended June 30, 2008.

The tax rates assessed for the year ending June 30, 2008 are as follows:

Township operating	0.9515 per \$1,000
Fire Protection	1.4191 per \$1,000

The taxable value of all properties on the certified roll was \$136,596,030. This is the valuation upon which the levy for the 2007 tax year was based.

Proprietary Fund Financial Statements

Operating income reported in proprietary fund financial includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. The proprietary fund financial statements report using the full accrual method of accounting.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Long-term Debt

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Capital Assets and Depreciation

The Township's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Land and construction in progress are not depreciated.

The following ranges are proposed as guidelines in estimating useful lives for asset reporting:

Building and improvements	30 years
Land improvements	10 years
Machinery & equipment	10 years
Vehicles	10 years
Utility Plant and components	7 – 30 years
Furniture and office equipment	7 years

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Otherwise, the cost should be expensed as repair and maintenance.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Deposits and Investments

The Township's cash and cash equivalents are considered cash if they are easily converted to cash or have a maturity date of 90 days or less.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township's investments are in accordance with statutory authority.

Use of Estimates

The process of preparing general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Budgets and Budgetary Policies

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds. All annual appropriations lapse at fiscal year end. The Township does not maintain a formalized encumbrance accounting system.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Chief Administrative Officer submits a proposed budget to the Township Board at the April Board meeting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in Fund balance – budget and actual – general, special revenue and capital projects funds.
2. A public hearing is conducted in May to obtain citizens' comments.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Policies (Continued)

3. Prior to July 1, the budget is legally adopted by Township Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditure in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances – budget and actual (GAAP basis) – general, special revenue and capital projects funds.
4. Formal budgetary integration is employed as a management control device during the year for the general fund.

For the year ended June 30, 2008, the Township had the following fund over expenditures:

<u>Fund</u>	<u>Activity</u>	<u>Over - Expenditure</u>
General	General government - Clerk	\$ 2,856
General	General government - Treasurer	\$ 2,580
General	Public Safety	\$ 9,848

Note 3: Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 is in compliance with statutory authority.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 3: Cash and Cash Equivalents (Continued)

The Township uses a common bank account to pool its cash funds. The various fund's balances at June 30, 2008 is as follows:

	<u>Common Checking</u>
General Fund	\$ 197,441
Fire Fund	54,759
Garbage Fund	89,414
Road Fund	233,799
Boat Launch Fund	9,164
Total	<u>\$ 584,577</u>

At June 30, 2008, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and equivalents	\$ 584,577	\$ 211,569	\$ 4,150	\$ 800,296

The breakdown of cash and equivalents for the Township is as follows:

	<u>Primary Government</u>
Bank deposits - checking accounts	\$ 799,946
Petty cash	350
	<u>\$ 800,296</u>

Deposits

The bank balance of the Township's deposits is \$817,151, of which \$100,000 is covered by federal depository insurance and \$717,151 is uninsured and uncollateralized as of June 30, 2008. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates the financial institution with which it deposits Township funds and assesses the level of risk. Only those institutions with an acceptable estimated risk level are used as depositories.

On October 3, 2008, the President of the United States signed the Emergency Economic Stabilization Act of 2008, which temporarily raises the basic limit on federal deposit insurance coverage from \$100,000 to \$250,000. This increase in FDIC insurance coverage expires December 31, 2009.

TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

Note 4: Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Governmental Activities:				
Capital assets not being depreciated - land	\$ 223,898	\$ -	\$ -	\$ 223,898
Capital assets being depreciated:				
Buildings and grounds	508,606	3,774	-	512,380
Vehicles	335,615	33,007	-	368,622
Machinery and equipment	440,820	19,102	-	459,922
Subtotal	1,285,041	55,883	-	1,340,924
Accumulated depreciation:				
Buildings and grounds	363,235	36,046	-	399,281
Vehicles	218,408	24,511	-	242,919
Machinery and equipment	258,906	41,669	-	300,575
Subtotal	840,549	102,226	-	942,775
Net capital assets being depreciated	444,492	(46,343)	-	398,149
Net capital assets	<u>\$ 668,390</u>	<u>\$ (46,343)</u>	<u>\$ -</u>	<u>\$ 622,047</u>
	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Business-type Activities:				
Capital assets not being depreciated - land	\$ 229,428	\$ -	\$ -	\$ 229,428
Capital assets being depreciated:				
Buildings and grounds	254,026	-	-	254,026
Vehicles	266,241	35,395	-	301,636
Utility plant	7,185,821	21,189	-	7,207,010
Machinery and equipment	116,507	13,478	19,999	109,986
Subtotal	7,822,595	70,062	19,999	7,872,658
Accumulated depreciation:				
Building and grounds	160,103	8,965	-	169,068
Vehicles	256,180	3,054	-	259,234
Utility plant	6,581,467	54,926	-	6,636,393
Machinery and equipment	94,837	6,336	19,999	81,174
Subtotal	7,092,587	73,281	19,999	7,145,869
Net capital assets being depreciated	730,008	(3,219)	-	726,789
Net capital assets	<u>\$ 959,436</u>	<u>\$ (3,219)</u>	<u>\$ -</u>	<u>\$ 956,217</u>

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 4: Capital Assets (Continued)

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 46,126	Sewer Utilities	\$ 73,280
Public safety	56,100		
Total	<u>\$ 102,226</u>		

Note 5: Long-Term Debt

A summary of changes in long-term debt is as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment purchase contracts:				
Fire department building, payable in annual installments ranging from \$14,000 to \$22,000, plus interest at 3.20% through May 2014	138,000	(17,000)	121,000	18,000
Fire department vehicle, payable in annual installments ranging from \$19,000 to \$28,000, plus interest at 3.20% through May 2014	171,000	(21,000)	150,000	22,000
Fire department equipment, payable in annual installments ranging from \$9,000 to \$15,000, plus interest at 3.20% through May 2014	88,000	(11,000)	77,000	11,000
Township hall addition, payable in monthly payments of \$373.36, including interest at 4.14% through April 2011	36,681	(36,681)	-	-
Fire department equipment, payable in annual installments	64,638	(64,638)	-	-
Total governmental activities	<u>\$ 498,319</u>	<u>\$ (150,319)</u>	<u>\$ 348,000</u>	<u>\$ 51,000</u>

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 5: Long-Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
Governmental Activities:		
2009	\$ 51,000	\$ 11,372
2010	54,000	9,706
2011	56,000	7,941
2012	60,000	6,111
2013	63,000	4,150
2014 - 2018	64,000	2,091
	<u>\$ 348,000</u>	<u>\$ 41,371</u>

Note 6: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters.

The Township carries commercial insurance for risks to cover these losses. The Township also continues to carry commercial insurance for other risks of loss, including life insurance for elected officials.

TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Taxes and assessments	\$ 166,400	\$ 166,400	\$ 173,475	\$ 7,075
State Shared Revenue	100,000	100,000	137,886	37,886
Charges for services	11,300	11,300	11,510	210
Interest	6,000	6,000	8,667	2,667
Other revenue	16,100	16,100	13,869	(2,231)
Total revenues	299,800	299,800	345,407	45,607
Expenditures				
General government				
Township Board				
Wages and Benefits	17,000	17,000	14,649	2,351
Contractual Services	66,000	66,000	48,140	17,860
Insurance	9,000	9,000	8,499	501
Utilities	12,000	12,000	10,038	1,962
Postage, Printing and Publishing	5,400	5,400	5,958	(558)
Dues and Education	3,000	3,000	3,186	(186)
Transportation and Meals	300	300	88	212
Equipment, Supplies and Maintenance	17,090	17,090	2,661	14,429
Total Township Board	129,790	129,790	93,219	36,571
Supervisor				
Wages and Benefits	9,000	9,000	9,189	(189)
Dues and Education	400	400	-	400
Miscellaneous	100	100	-	100
Total Supervisor	9,500	9,500	9,189	311
Elections				
Wages and Benefits	2,000	2,000	2,250	(250)
Postage, Printing and Publishing	450	450	185	265
Transportation and Meals	200	200	68	132
Equipment, Supplies and Maintenance	500	500	145	355
Miscellaneous	-	-	(622)	622
Total Elections	3,150	3,150	2,026	1,124
Clerk				
Wages and Benefits	27,350	27,350	30,506	(3,156)
Dues and Education	100	100	-	100
Transportation and Meals	100	100	-	100
Miscellaneous	100	100	-	100
Total Clerk	27,650	27,650	30,506	(2,856)

TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Board of Review				
Wages and Benefits	1,400	1,400	1,000	400
Postage, Printing and Publishing	550	550	56	494
Total Board of Review	1,950	1,950	1,056	894
Treasurer				
Wages and Benefits	27,350	27,350	30,275	(2,925)
Miscellaneous	350	350	5	345
Total Treasurer	27,700	27,700	30,280	(2,580)
Building and Grounds				
Wages and Benefits	6,700	6,700	3,682	3,018
Contractual Services	1,200	1,200	-	1,200
Equipment, Supplies and Maintenance	5,000	5,000	3,844	1,156
Miscellaneous	200	200	-	200
Total Building and Grounds	13,100	13,100	7,526	5,574
Cemetery				
Wages and Benefits	1,200	1,200	1,867	(667)
Contractual Services	8,000	8,000	4,987	3,013
Equipment, Supplies and Maintenance	1,100	1,100	842	258
Total Cemetery	10,300	10,300	7,696	2,604
Total general government	223,140	223,140	181,498	41,642
Public works				
Roads, Drains, Lighting	41,300	41,300	20,712	20,588
Public safety				
Mosquito control	-	-	9,848	(9,848)
Capital outlay	144,360	99,156	15,631	83,525
Debt service	15,200	39,000	38,005	995
Total expenditures	424,000	402,596	265,694	136,902

TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Excess (deficiency) of revenues over (under) expenditures	(124,200)	(102,796)	79,713	182,509
Other financing sources (uses)				
Operating transfers out	(40,000)	(60,000)	(60,000)	-
Total other financing uses	(40,000)	(60,000)	(60,000)	-
Deficiency of revenues under expenditures and other uses:	(164,200)	(162,796)	19,713	182,509
Fund Balance Beginning of Year	141,361	141,361	167,792	(26,431)
Fund Balance End of Year	<u>\$ (22,839)</u>	<u>\$ (21,435)</u>	<u>\$ 187,505</u>	<u>\$ 208,940</u>

TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE FUND
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues:				
Property Taxes	\$ 175,000	\$ 175,000	\$ 188,230	\$ 13,230
Interest	5,000	5,000	3,368	(1,632)
Other revenue	8,500	8,500	9,089	589
Total revenues	188,500	188,500	200,687	12,187
Expenditures				
Public Safety:				
Wages	23,500	23,500	24,709	(1,209)
Equipment and supplies	28,500	28,500	20,150	8,350
Vehicle fuel and maintenance	20,000	25,420	33,566	(8,146)
Contractual services	3,000	3,000	4,226	(1,226)
Insurance	12,150	12,150	13,279	(1,129)
Utilities	6,500	6,500	-	6,500
Miscellaneous	10,475	10,475	4,865	5,610
Total public safety	104,125	109,545	100,795	8,750
Capital outlay	98,675	62,044	31,112	30,932
Debt service:				
Loan principal	61,000	112,000	113,638	(1,638)
Loan interest	15,000	15,211	13,441	1,770
Total debt service	76,000	127,211	127,079	132
Total expenditures	278,800	298,800	258,986	39,814
Excess (deficiency) of revenues over (under) expenditures	(90,300)	(110,300)	(58,299)	52,001
Other financing sources:				
Transfers In	-	-	20,000	(20,000)
Excess (deficiency) of revenues and other sources over (under) expenditures	(90,300)	(110,300)	(38,299)	72,001
Fund Balance - Beginning of Year	90,846	90,846	90,846	-
Fund Balance - End of Year	\$ 546	\$ (19,454)	\$ 52,547	\$ 72,001

TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GARBAGE FUND
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Taxes and assessments	\$ 163,000	\$ 163,000	\$ 167,620	\$ 4,620
Interest	4,500	(4,500)	3,593	(907)
Other revenue	-	-	-	-
Total revenues	167,500	167,500	171,213	3,713
Expenditures				
Public Works				
Contractual services	174,000	174,000	187,703	(13,703)
Administration fees	1,200	1,200	1,200	-
Miscellaneous	97,500	97,500	28	97,472
Total public works	272,700	272,700	188,931	83,769
Deficiency of revenues under expenditures	(105,200)	(105,200)	(17,718)	87,482
Fund Balance - Beginning of Year	106,847	106,847	106,847	-
Fund Balance - End of Year	<u>\$ 1,647</u>	<u>\$ 1,647</u>	<u>\$ 89,129</u>	<u>\$ 87,482</u>

TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROADS FUND
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Property Taxes	\$ 221,500	\$ 221,500	\$ 221,952	\$ 452
Interest	7,000	7,000	4,939	(2,061)
Total revenues	228,500	228,500	226,891	(1,609)
Expenditures				
Public Works:				
Contractual services	208,000	222,005	222,004	1
Administration fee	1,300	1,300	1,300	-
Miscellaneous	251,700	237,695	4,398	233,297
Total expenditures	461,000	461,000	227,702	233,298
Deficiency of revenues under expenditures	(232,500)	(232,500)	(811)	231,689
Other Financing Sources				
Transfer in	40,000	40,000	40,000	-
Excess (deficiency) of revenues and other sources over (under) expenditures	(192,500)	(192,500)	39,189	231,689
Fund Balance - Beginning of Year	194,610	194,610	194,610	-
Fund Balance - End of Year	<u>\$ 2,110</u>	<u>\$ 2,110</u>	<u>\$ 233,799</u>	<u>\$ 231,689</u>



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February 2, 2009

To the Township Board
Township of Butman
Gladwin County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Township of Butman (the Township) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Butman's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Keskine, Cook, Miller & Reppuhn LLP

Keskine, Cook, Miller & Reppuhn, LLP



Keskin, Cook, Miller & Reppuhn, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Jeffrey B. Cook, CPA
Richard W. Miller, CPA
Curt A. Reppuhn, CPA
Terry J. Distel, CPA (Ret.)
Joseph G. Okrei, CPA (Ret.)
Walter J. Keskin, CPA (Ret.)
Ronald D. Alexander, CPA (Ret.)

February 2, 2009

To the Township Board
Township of Butman
Gladwin County, Michigan

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Township of Livingston (the Township) for the year ended June 30, 2008, and have issued our report thereon dated February 2, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 18, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on August 18, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Township's Measurement Focus and Basis of Accounting policy in Note 2 to the financial statements. We evaluated standard governmental accounting policies and procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 2, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

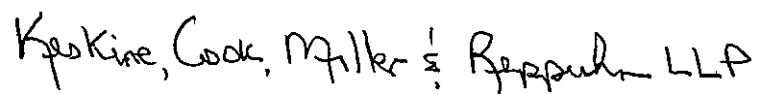
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statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Butman's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Keskin, Cook, Miller & Reppuhn LLP". The signature is written in a cursive, flowing style.

Keskin, Cook, Miller & Reppuhn, LLP